

COMMINGLING OF UNITED STATES  
AND COMMUNIST FOREIGN AID

---

NINETEENTH REPORT

BY THE  
COMMITTEE ON GOVERNMENT  
OPERATIONS



JUNE 25, 1962.—Committed to the Committee of the Whole House  
on the State of the Union and ordered to be printed

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**LETTER OF TRANSMITTAL**

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HOUSE OF REPRESENTATIVES,  
Washington, D.C., June 25, 1962.

Hon. JOHN W. McCORMACK,  
*Speaker of the House of Representatives,*  
*Washington, D.C.*

DEAR MR. SPEAKER: By direction of the Committee on Government Operations, I submit herewith the committee's 19th report to the 87th Congress. The committee's report is based on a study made by its Foreign Operations and Monetary Affairs Subcommittee.

WILLIAM L. DAWSON, *Chairman:*

Note: This report is concerned solely with the activities of U.S. Government agencies and does not extend to the activities of foreign governments or their personnel.



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# Union Calendar No. 792

87TH CONGRESS }  
2d Session }

HOUSE OF REPRESENTATIVES }

REPORT  
No. 1907

## COMMINGLING OF UNITED STATES AND COMMUNIST FOREIGN AID

JUNE 25, 1962.—Committed to the Committee of the Whole House on the State of  
the Union and ordered to be printed

Mr. DAWSON, from the Committee on Government Operations,  
submitted the following

### NINETEENTH REPORT

BASED ON A STUDY BY THE FOREIGN OPERATIONS AND  
MONETARY AFFAIRS SUBCOMMITTEE

On June 20, 1962, the Committee on Government Operations had before it for consideration a report entitled "Commingling of United States and Communist Foreign Aid." Upon motion made and seconded, the report was approved and adopted as the report of the full committee. The chairman was directed to transmit a copy to the Speaker of the House.

#### FINDINGS AND CONCLUSIONS

1. U.S. foreign aid has been commingled with Sino-Soviet aid both with and without the knowledge of U.S. aid officials.

2. Sino-Soviet bloc countries use their foreign aid program to promote their foreign policy objective of alienating underdeveloped countries from the free world and facilitating the spread of communism. To the extent that U.S. aid dollars are used, either directly or indirectly, to promote or carry out projects or programs identified in the minds of the people of the host country as Sino-Soviet, U.S. taxpayers are financing the cause of communism.

3. In 1958, construction began in Cambodia on a Russian-financed 500-bed hospital designed as the showpiece of Russian foreign aid. Materials supplied by U.S. foreign aid were used in the construction of the hospital. After this fact was brought to the attention of

Mission officials, they failed to investigate and to undertake appropriate action for the protection of U.S. interests.

4. The powerplant supplied by the Russians to operate the hospital was inadequate and a large transformer was installed to supply electricity from the local power company. This transformer and connecting cable were purchased with U.S. foreign aid dollars, but USOM/Cambodia, ICA/Washington, and the Department of State were unaware of their use for the Russian project for approximately 1 year. No evidence was produced to show that the people of Cambodia were ever informed that it was U.S. aid that enabled the hospital to function.

5. USOM/Cambodia accepted without comment or action the end-use report which characterized as "satisfactory" the utilization of the transformer and cable in connection with the Russian-built hospital.

6. When the USOM/Cambodia Controller was informed by a subordinate that U.S.-financed materials were being used in the construction of the hospital, he instituted the action which resulted in the subordinate's (a) transfer to duties other than end-use investigation, (b) receipt of an unsatisfactory efficiency rating, and (c) ultimate dismissal from the agency.

7. The subordinate appealed from the unsatisfactory rating, but was not given a hearing until 2 years later.

8. U.S. officials did not obtain an agreement with the Cambodian Government which would prevent commingling of U.S. aid with Sino-Soviet bloc aid. On December 13, 1956, the Mission Director wrote to the Minister of Planning and Industrialization, reciting his understanding of an earlier oral agreement, and requested confirmation by the countersigning of a copy of the letter. Instead of so doing, the Minister, 3 months later on March 14, 1957, made a reply which has been characterized by Deputy Assistant Secretary of State Peterson as "waffled," and which, in the opinion of the subcommittee, cannot in any sense be described as a confirmation of the Mission's understanding. As far as the record shows, it was not until September 8, 1959, that the Mission again pursued this problem. On that date USOM recommended to the Department of State that a firm agreement be reached with Cambodia to prevent the use of either U.S.-financed technical assistance or equipment on Royal Cambodian Government (RKG) construction derived from Sino-Soviet bloc aid. Instead of approving this suggestion, the Department of State instructed that each case be handled orally on an ad hoc basis, invoking the spirit of the 1956-57 "written agreement." This so-called agreement consisted solely of the exchange of letters referred to above. By no stretch of imagination do these letters constitute an agreement on the part of Cambodia. This renewed activity by the Mission coincided with an insistent inquiry from Washington concerning the work of the end-use investigator who had reported the commingling of United States and Russian aid in June 1958.

9. In 1960, the U.S. country team in Cambodia made a deliberate and premeditated determination to finance and construct two radio studios which, when completed, became an adjunct to a Chinese Communist gift to the Cambodian Government of a radio broadcasting complex. U.S.-financed contractors and Chinese Communist-financed contractors worked side by side, giving the appearance of U.S. cooperation with the Chinese Communists, notwithstanding the



firm U.S. policy against recognition of the Chinese People's Republic, and notwithstanding a basic purpose of our foreign aid program to combat communism.

10. During the course of the subcommittee hearings, AID and State Department information officers issued press statements which ignored facts developed by the subcommittee and relied substantially on conjecture or surmise to defend the action of USOM/Cambodia in the commingling of U.S. aid with Sino-Soviet bloc aid.

11. In submitting certain documents requested by the subcommittee, the Department of State failed to advise that the names of the individuals who had drafted, approved, and cleared them had been deleted. The fact that the documents had been so altered came to light only as a result of subcommittee questioning. Deputy Assistant Secretary of State Avery F. Peterson was designated as the official representative of the Department of State to testify concerning the documents which had been submitted. One of the significant documents about which he testified, and concerning which he appeared to have had no prior knowledge, had in fact been approved by him at the time of its preparation. This fact was not learned by the subcommittee until subsequently, when it obtained a true copy of the document which showed the name of Mr. Peterson as one of the clearance officers and that of Mr. J. Graham Parsons as the officer who had approved it. Mr. Peterson, during his testimony, failed to advise the subcommittee that he had participated in the preparation or clearance of this document.

#### RECOMMENDATIONS

It is recommended that the Department of State and the Agency for International Development take such action as may be necessary to—

1. Devise regulations and establish procedures to insure that U.S. foreign aid is not employed to further foreign aid activities of the Communist bloc countries.

2. Insure that foreign aid agreements committing the United States to dollar expenditures be drawn with precision as to objectives and scope, with identification of all component parts with such specificity as to permit reasonably accurate estimates of the time and cost factors involved.

3. Accelerate the investigation, consideration, and determination of employee grievances, particularly those challenging poor efficiency ratings.

4. Insure that no punitive action is taken against employees as a result of their reporting possible misuses of foreign aid; and that where aid officials have engaged in such punitive action or have ignored or sought to cover up reported abuses of the aid program, this fact shall be made a part of their personnel record for appropriate administrative action.

#### INTRODUCTION

One of the major functions of the Foreign Operations and Monetary Affairs Subcommittee is to investigate and report on operations of the U.S. foreign aid program from the standpoints of efficiency and economy. A study of the efficiency of any agency or activity involves not only a review of its utilization of dollars appropriated, but also



the extent and adequacy of its accomplishments in terms of purposes intended by the authorizing legislation. The subcommittee's interest in the foreign aid program runs not only to how American dollars are spent, but also to the extent to which U.S. aid operations accord with, and further, U.S. foreign policy objectives. And in those underdeveloped areas of the world which receive aid from both the United States and the Sino-Soviet bloc, the subcommittee considers it pertinent to inquire whether U.S. aid, either wittingly or unwittingly, might be commingled with Communist aid in a manner contributing to the success of the latter's aid projects or programs, thus furthering the cause of Communist enslavement of the free world and, correspondingly, defeating the broad objectives and policies of aid legislation.

In 1957, during a field study of various areas including southeast Asia, the subcommittee made inquiries to assess the danger and possibility of the commingling of United States and Sino-Soviet bloc aid. In Cambodia, the U.S. Operations Mission (USOM), informing the subcommittee that significant deliveries of Soviet-bloc aid began in May 1957, went on to state:

There is no doubt that U.S. aid in Cambodia is in active competition with the Soviet bloc. This competition is not in the magnitude of aid furnished but in the choice of activities and in the method and manner in which individual programs and projects are carried out.

The subcommittee was also advised that, assisted by skillful propaganda and widespread publicity, the psychological impact of Soviet bloc aid was considerable, and that the major Russian aid project for Cambodia was to be a "show piece" project; namely, the construction and equipment of a 500-bed hospital in Phnom Penh, the capital city, at a cost of approximately \$10 million.

With respect to "commingling," USOM stated:

USOM and other U.S. agencies attempt to follow Soviet bloc aid developments very closely. No duplication occurs because the RKG [Royal Cambodian Government] has agreed with USOM that it will not intermingle funds made available from U.S. aid with projects financed from other funds, specifically assistance rendered by the Soviet bloc.

In February 1962, the subcommittee began a followup of its examination of certain aspects of the U.S. aid program in Cambodia.<sup>1</sup> In pursuing these matters, the subcommittee found that despite the foregoing USOM assurances, commodities financed by U.S. aid funds had been used in connection with the building and operation of the Russian-sponsored hospital and that, under a U.S. aid project, radio studios were built that serviced the Chinese Communist gift to Cambodia of a new radio station which is the official Government broadcasting facility.

#### BACKGROUND <sup>2</sup>

After the war in Indochina had been terminated by the Geneva Agreement in July 1954, the United States began enlarging the assist-

<sup>1</sup> "Cambodian Port Highway: A Supplemental Report." H. Rept. 1250, 87th Cong., 1st sess.

<sup>2</sup> From General Accounting Office Rept. B-133002, dated June 2, 1958 ("Report on Examination of Economic and Technical Assistance Program for Cambodia").

ance programs for Cambodia, South Vietnam, and Laos, to protect the newly won independence of those countries from the Communist pressures on their political and economic stability.

In Cambodia, the enlarged program was aimed primarily at supporting the country's defense budget and its economic and technical development. Funds for this enlarged program were released in either of two forms:

1. Nonproject aid: The release of aid dollars for conversion into local currencies to finance the local costs of the program objectives. These cash dollars could be used for the purchase of local currency or to finance imports for resale in Cambodia to generate the required local currency.

2. Project aid: The release of aid dollars to finance directly the dollar costs of equipment and services required to carry out specific projects agreed to by the United States and Cambodia.

Although Cambodia had escaped the ravages of war experienced by her neighboring countries, responsible U.S. agencies<sup>3</sup> considered a strong and immediate impact program a political necessity.

As a result of this alleged urgency, the then U.S. aid agency, the International Cooperation Administration (ICA), embarked on a crash aid program in that country, ignoring the desirable program requirements of good planning, adequate staffing, and clear understandings with the Cambodian Government. Accounting controls were relaxed, the broad use of cash grants was authorized, and the import program was liberalized to permit the import of commodities not usually identified with the economic requirements of the country.

ICA/Washington (ICA/W) authorized USOM/Cambodia to enter into agreements without regard to the Mission's technical and administrative limitations and before project plans had been developed with the Cambodian Government. In Washington, the ICA Director, in 1955, by directive, limited the Washington staff evaluation of the Cambodian program to substantive economic and technical judgments, and instructed the Washington technical divisions to place maximum reliance on Mission recommendations as to the economic and technical acceptability of undertakings, with any doubts to be resolved in favor of approval.

It is not the purpose of the subcommittee to set forth here the effect of an overriding political decision on the economy and efficiency of the U.S. aid program. The waste, inefficiency, diversion, and corruption which can flow from such a condition have been set out by the subcommittee in previous reports. The foregoing is set forth to provide the setting for the programing of the activities in the U.S. Operations Mission to Cambodia on which this report is based.

#### U.S. AID TO RUSSIAN PROJECT

##### *The Complaint of End-Use Investigator*

On June 9, 1958, Jerry M. Jackis, a USOM/Cambodia end-use investigator, made an unofficial visit to the hospital which was being built in Phnom Penh by Russian foreign aid. According to his testimony before the subcommittee, he found that American-aid financed cement, bearing the ICA handclasp emblem, was being used in the

<sup>3</sup> The International Cooperation Administration and the Department of State

building of the Russian hospital, as was a Fiat tractor, which also bore the ICA emblem. Drums of asphalt, bearing overmarkings of paint which he believed could have covered the ICA emblem, and reinforcing steel bars which he believed probably were ICA-financed, also were seen by him on the premises.

Mr. Jackis immediately reported his findings, by memorandum, to his superior, Marlin F. Haas, USOM Controller, stating his belief that such use was in violation of the bilateral agreement between the United States and the Royal Cambodian Government, and that the Mutual Security Act

\* \* \* governing the U.S. foreign aid program does not, of course, have as its objectives the fostering and implementing of Soviet economic aid projects. \* \* \*

Jackis recommended therefore that the Director of the USOM request the Cambodian Government to have all ICA-financed commodities removed from the Soviet hospital site immediately, failing which, he indicated, the Director's only alternative would be to initiate refund action against the Cambodian Government, as provided by ICA regulations.

As appears from the memorandum itself, and the testimony before the subcommittee, Jackis' memorandum was not a report of a completed investigation; it was, rather, a complaint about a condition he had observed, and which he believed needed further attention. As Jackis put it in his testimony, his memorandum "was just a preliminary attempt to get something started."

#### *Failure to Investigate Complaint*

Mr. Haas, as Mission Controller, was the chief financial management officer and principal financial adviser to the Mission Director. It was his responsibility to make sure that American foreign aid operations were being carried out in accordance with applicable laws, policies, procedures and agreements. Therefore, it is difficult to understand his reaction to Jackis' memorandum.

According to Jackis' testimony, Haas called him into his office, informed him that he had overstepped his bounds and that he should not have gone to the Soviet hospital because it was not his duty to do so. He testified that Haas was angry because he had written the memorandum. This testimony finds corroboration in the documents in Jackis' personnel file which show that within 48 hours Haas initiated a series of events which led to Jackis' transfer to other duties, and which measurably contributed to his ultimate dismissal from employment.

According to Haas' testimony, he discussed Jackis' memorandum with Alvin E. Roseman,<sup>4</sup> USOM Director, and the consensus was that inasmuch as Jackis had identified the items as *nonproject* goods, the Cambodian Government could not be charged with a violation of any existing agreement.<sup>5</sup> Yet, as the testimony disclosed, the fact remains that on the basis of the preliminary complaint made by Jackis there was no way Haas, or anyone else, could know whether the commodities at the hospital site were project or nonproject aid. And since no

<sup>4</sup> Now with UNESCO in Paris.

<sup>5</sup> According to Haas, he and Roseman, considerably before (and without reference to) the Jackis memorandum, had discussed the possibility that some nonproject commodities entering the economy of the country and being freely sold could indirectly assist the Communist projects by being utilized in them. However, in their view this would not constitute a violation of any agreement with the Cambodian Government, and they did nothing to prevent such use.

timely investigation was made, it will never be known how much U.S.-financed material was used in the construction of the Russian hospital, and whether it was commodity aid or had been wrongfully diverted from some project.

Haas testified before the subcommittee that he had been irritated by Jackis' having sent a copy of the memorandum to the Chief of the USOM Public Health Division before clearing with him. Haas further testified that his failure to investigate Jackis' complaint was predicated on the following: (a) Jackis, in his complaint, had characterized the cement and other commodities going into the Russian hospital as "nonproject" aid, and therefore USOM policy required no investigation; and (b) Haas' certainty that no American-financed project aid cement could have been available for incorporation into the hospital. On this latter point, he testified under oath on March 16, 1962, as follows:

\* \* \* Mr. Jackis indicated these were nonproject commodities. I know for a fact that we did not finance any cement under project assistance. \* \* \*

Haas' testimony on this point is squarely contradicted by information which the Agency for International Development (AID) (successor to ICA) has furnished to the subcommittee. The fact is that in the 3-month period alone, immediately preceeding the Jackis' report, \$58,500 worth of cement financed under U.S. project assistance was brought into Cambodia.

#### *Removal of End-use Investigator*

On July 2, 1958, less than a month after the date of his memorandum, Jackis received an "unsatisfactory" efficiency rating, which he "appealed"<sup>6</sup> within 3 weeks. In September 1958, Jackis was transferred out of the Controller area as end-use investigator and assigned to straightening out the USOM warehouse.<sup>7</sup> In May 1959, he returned to the United States. Following home leave, he reported to work for ICA/W on July 9, 1959, after which he sought to ascertain what was being done about his "appeal." He ultimately directed his inquiry to John E. DeWilde, Director of the Audit Division of ICA/Washington and Haas' superior. Under date of July 21, 1959, DeWilde called on Haas for a clear statement of facts relative to 24 reports Jackis had made as an end-use officer, including the complaint pertaining to the Russian hospital. Receiving no answer, DeWilde repeated his request on August 12, 1959. Haas finally responded on September 16, 1959, and with respect to the Soviet hospital incident, stated:

#### (b) Disposition:

(1) Mr. Jackis sent a copy of subject memo to the Chief, Public Health Division, USOM, prior to clearing it with the Controller.

(2) No action was contemplated by the Controller's office on the basis of Mr. Jackis' erroneous conclusions.

Mr. Haas, USOM Controller, had previously explained to Mr. Jackis a policy approved by the USOM Director, that is to say, commodities purchased through ICA commercial aid by private importers can be sold to any end-user in Cambodia.

<sup>6</sup> Testimony before the subcommittee disclosed that no provisions for an appeal from an unsatisfactory efficiency rating existed within ICA/W at that time, but it does not appear that Jackis was so advised.

<sup>7</sup> During the performance of these duties, Jackis received an efficiency rating of "2," i.e., "marginal."



Further, for example, if a Cambodian construction company had purchased equipment or commodities from local importers, such equipment or commodities could be used for any undertaking.

(c) Current status: Closed on basis of disposition cited above.

*Executive Branch Statement on Commingled Aid*

On March 16, 1962, the day following Jackis' testimony before the subcommittee, there appeared in the press a story referring to the ICA-financed commodities which were used in the Russian hospital in Cambodia, stating in part:

Foreign aid officials said it was "quite possible" the supplies originally came from a U.S. shipment. *But they denied that this was a misuse of the assistance.* [Italics supplied.]

Called before the subcommittee in open hearings that day to explain the statement, Joseph L. Newman, Deputy Director, Office of Public Affairs, AID, and John F. Kane and Edgar A. Comee, AID information officers, testified, in substance, as follows: They were recent employees of the Agency and had no personal knowledge of the matters involved. To prepare to answer questions of newspaper reporters about the facts disclosed at the hearings, one of them had done "research" within the Agency and had written a statement of agreed position to be used as the basis for answering questions. His research had consisted merely of talking with three AID officials. In his testimony, Newman could identify no official in AID who had told him that the use of U.S.-financed material on the Russian hospital was not a misuse of our foreign assistance. He could only say that it was the "consensus" of the persons with whom he talked in his "research" that such use was not a misuse because the goods were in Cambodia precisely to be used in commercial channels.

On the basis of such "research," the AID information officers reported to the public through the medium of the press that there had been no misuse of U.S. aid in helping to build the Russian-aid hospital, since ICA-financed commodities were what is known as nonproject aid; that such commodities were supposed to be sold through normal commercial channels, where anyone could buy them.

The Administrator of the new Agency for International Development, Fowler Hamilton, when questioned by the subcommittee, stated he did not know that the statements attributed to "foreign aid officials" had been made. His views did not coincide with the information given out by his agency's information officers, for he stated that obviously every possible means should be taken to avoid commingling of United States and Russian aid.

Despite this straightforward position of the AID Administrator, a press dispatch appeared the day following, indicating that unidentified State Department "officials," "strategists," and "planners" largely attributed the mingling of U.S. aid with Soviet aid in the hospital to the operation of the free enterprise system. These phantom spokesmen for the State Department start with, and state as fact, the same unprovable assumption that was used by the AID information officers—and apparently for the same reasons—that the commodities involved were nonproject aid. They stated that, along with the im-



port of our aid-financed commodities, recipient countries also often import our free enterprise system; in the operation of free enterprise, commodities are freely sold in commercial channels. According to these undisclosed sources, once the ICA-financed cement entered the free market in Cambodia there was nothing to prevent its being bought by a contractor building a hospital for the Russians.

It was testified before the subcommittee that Deputy Assistant Secretary Peterson had no knowledge of or responsibility for the news story. In fact, he disagreed totally with the statement. His disavowal of this news item attributed to Department of State officials parallels the action of AID Administrator Hamilton with respect to statements given out by his Office of Public Affairs. This situation poses several related questions:

1. Who speaks for the Department of State and for AID?
2. To what extent is the public given nonauthoritative, slanted stories?
3. To what extent do subordinate apologists issue or release to the news media statements contrary to the position, understanding, and views of responsible Department or Agency officials?

Such irresponsible statements by spokesmen for the State Department and AID serve only to confuse, in the minds of the public, the issue before the subcommittee, namely: Are we to contribute our dollars to our own downfall?

The fact is that no State Department or AID spokesman, or the persons who supplied the "research" data, or, in fact anyone, could know whether the commodities involved resulted from nonproject aid or from project aid, because no one had ever investigated Jackis' complaint to establish the facts. Nevertheless, in an apparent effort to (a) exculpate AID from the embarrassment caused by having the derelictions of aid officials brought into the light of day, (b) confuse or mislead the public, or (c) disparage the efforts of the subcommittee (or any combination of these), the information officers passed out as official the denial that the use of our aid commodities to help build the Russian project was a misuse of our foreign aid.

#### *End-Use Investigator's "Reward"*

In other reports,<sup>8</sup> the subcommittee has commented on the fact that some foreign aid officials have been far more inclined to censure or to cause the ouster of employees who rock the boat of complacency by bringing to their attention allegations of misuse of foreign aid funds than they were to investigate the allegations or to be concerned with corrections. Here again we find this familiar pattern.

Jerry M. Jackis, born in 1920 in Savannah, Ga., was reared in Charleston, S.C., and is a graduate of The Citadel, of that city. After 4 years of Army service, he entered Federal employment, spending 6 months each with the General Accounting Office and the Marine Corps, and 3 years with the National Security Agency. In August 1954, he was hired by the Foreign Operations Administration (FOA) (predecessor of ICA and AID). After a year in Korea as a records supervisor, he was assigned in Korea as an end-use investigator, at a grade of FSS-9. A year later in August 1956, he was promoted to

<sup>8</sup> "U.S. Aid Operations in Laos," H. Rept. 546, 86th Cong., 1st sess., and "U.S. Aid Operations in Peru," H. Rept. 795, 87th Cong., 1st sess.

FSS-7. This two-jump raise required a special justification on the part of the Mission Director. This justification stated:

It is the opinion of the Office of the Comptroller that Mr. Jackis clearly meets the performance requirements for an investigator at the FSS-7 level.

The Office of the Comptroller has had to utilize its investigation and audit staff to a great extent for special assignments and studies required by ICA/W and OEC. As a consequence, considerable reliance has been placed on subject employee to continue certain analyses covering a broad area of procurement, supply, warehousing, and end-use utilization. Mr. Jackis has initiative and is performing with a minimum of supervision.

Accomplishments:

(a) On the basis of personal surveillance of ICA-financed imports, reported and requested detailed examination of transactions, which later proved to be fraudulent in nature. There were a number of such transactions, duly reported to Washington and in which the Justice Department is presently concerned.

(b) In conjunction with PSI [Office of Personnel Security and Integrity, ICA], he has assisted in the development of a completed report for necessary action of ICA/W. One transaction brought to our attention amounted to \$750,000 and subsequent data developed requiring further action amounts to two million dollars. The results of his initial findings will be the correction of abuses now inherent in the procurement and supply of ICA material.

(c) The net savings to the ICA program, as a result of his findings, in itself justifies the promotion to the level requested.

In February 1957, under the rotation system, Jackis was transferred to USOM/Cambodia as end-use investigator-auditor. In July 1957, he received an efficiency rating of "good," and in September 1957, received an in-grade promotion. On June 10, 1958, he reported the Soviet hospital incident to Haas, a report which was a preliminary attempt "to get something started." Unfortunately for Jackis, apparently the only thing that he started was his ultimate dismissal from employment.

Within 48 hours after receiving the Jackis memorandum of June 10, 1958, Haas initiated a course of action which succeeded in removing Jackis from his position as end-use investigator,<sup>9</sup> and giving him the lowest performance (efficiency) rating provided for in Foreign Service regulations. On June 12, 1958, Haas wrote William Kelly, USOM/Cambodia Executive Officer, to record his (Haas') earlier oral suggestion that Jackis be transferred to an administrative position. Haas then solicited and obtained memoranda evaluating Jackis' services from his subordinates, the Deputy Controller, the Chief Field Investigator, and the USOM Program Auditor, all of which were critical of Jackis' performance. Haas turned over these memoranda to the Executive Officer on June 19, 1958, to evidence that the efforts of the Controller staff to lead Jackis "in the right direction" as an end-use

<sup>9</sup> At a subcommittee hearing, Haas denied that he got Jackis moved to another job. The record, however, refutes Haas' denial.

investigator had been ineffective due to Jackis' personality and his lack of essential educational background. Haas concluded that Jackis should be transferred to a position more befitting his capabilities and training.

About 3 weeks after Jackis reported the Soviet hospital incident, i.e., on July 2, 1958, he received an efficiency rating of 1, under a numerical system of rating running from 1 through 5. A level 1 employee's overall performance is characterized on the efficiency rating form as "in many important respects fails to meet requirements; unsatisfactory." His last preceding rating in Cambodia about 1 year before had been a level 3, i.e., "clearly meets basic requirements; satisfactory." In the year preceding that, July 1956, in Korea, he had been rated level 4, i.e., "clearly exceeds basic requirements in most important respects; superior," which led to his receiving a two-grade promotion.

ICA/Washington (which reviewed all efficiency ratings), in a review of Jackis' rating made a check with USOM to ascertain if USOM could support the low rating for Jackis. ICA/Washington advised USOM/Cambodia that before Jackis could be separated from his employment, USOM should be certain that there was evidence, as required by agency regulations, that Jackis' deficiencies had been brought to his attention in an effort to bring about a correction. Such evidence was lacking, however; in the apparent haste to remove Jackis from his employment and to rate him unsatisfactory, this personnel action requirement had been overlooked. Had it not been for this oversight, the unsatisfactory rating could have cost Jackis his employment at that time.

#### *Appeals of the End-Use Investigator*

On August 18, 1958, Jackis appealed his unsatisfactory rating, submitting documentary support of his competence. On December 18, 1958, while he was still in Cambodia, Jackis received notice from ICA/Washington of a decision of the Second Evaluation Panel for Controller Personnel that he would not be returned overseas to a position in the controller field following the end of his current tour of duty in March 1959.

Jackis returned to ICA/Washington for duty in July 1959. Since he had received no acknowledgment of the appeal he had filed in August 1958, he made inquiries concerning it of the Office of Personnel. He testified that Personnel informed him that no record of his appeal was on file, nor could it be located. It was then that Jackis referred the matter to DeWilde, submitting to DeWilde duplicate copies of the appeal papers he had previously filed. The action taken by DeWilde, as has been set forth, was not an official action on the appeal Jackis filed in August 1958. As a matter of fact, it appears that *no official action was taken on this appeal until August 11, 1960*, when he had a hearing on another appeal dated July 14, 1960, disputing the decision of December 18, 1958, of the Controller Panel referred to above, and combining with it the grievance appeal of his unsatisfactory efficiency rating. On October 10, 1960, the Acting Director of Personnel, J. T. Walden, wrote Jackis as follows:

The Director, ICA, has reviewed your appeal and testimony in support thereof, together with the findings and

recommendations of the grievance committee which heard your case on August 11, 1960. The Director has rendered the following decisions:

1. The derogatory implication of the efficiency rating mentioned has been overcome by subsequent documentation.
2. The actions of the Agency in effecting a Washington assignment were proper.
3. No further action on the appeal will be taken by the Agency.

Future assignments, as for all satisfactory employees, will depend on positions available and the qualifications of persons eligible to be considered therefor.

The findings of the grievance committee were never made available to Jackis, and later, when he requested opportunity to review his personnel file, the file made available to him by AID did not include any papers relating to the grievance matter. These papers consisted of 16 single-spaced typewritten pages, plus some 38 attachments, plus oral hearings of 67 pages. It was testified to at the hearings that under Agency practices, personnel are not, in general, permitted to see all of the comments made concerning them when they review their personnel files, although all papers pertaining to them are kept as records of the Agency.

Jackis continued to work in the Agency throughout 1960 and all of 1961, receiving four efficiency ratings, two of them on the level of 3, "satisfactory," and the last two on the level of 4, "superior." Nevertheless, on November 1, 1961, he received a letter from Fowler Hamilton, Administrator of AID, advising him that he was being terminated as of December 1, 1961.

This separation was made under section 621 of the Foreign Assistance Act of 1961, which provided that on the date of the abolition of ICA (November 3, 1961) only such personnel as the Administrator determined to be necessary would be transferred to AID from its predecessor, ICA. Separation of Jackis under this section was based upon the fact that he had been rated "marginal" by a Foreign Service evaluation panel.

On November 14, 1961, Jackis filed an appeal from the notice of termination, addressed to the review board in the AID Office of Personnel, which, according to Mr. Hamilton's letter of November 1, 1961, was being established in AID to enable a terminated employee to bring to the attention of such board any factors deemed relevant to a consideration for reemployment by AID. By letter of January 5, 1962, signed by Mr. Hamilton, Jackis was advised that Mr. Hamilton had given personal consideration to his request and had personally examined the recommendation of the review board, the information Jackis had supplied with his request for employment and all other information in his personnel file, and that based upon this consideration Mr. Hamilton regretted to inform Jackis that AID did not then have need of his services and that his then temporary employment would terminate January 15, 1962. That temporary employment had commenced on December 1, 1961. Thus was terminated Jerry Jackis' employment in foreign aid after more than 7 years. The quality of his service during that time had been rated from "satisfactory" to



"superior" (except as indicated in footnote No. 7, p. 8, and the rating approved by Haas shortly after Jackis' complaint that ICA-financed commodities were being used in building the Russian-aid hospital, a rating which ICA/Washington Controller's Office characterized as "unnecessarily harsh," because Jackis' performance in that review was found to be creditable).<sup>10</sup>

But what of Marlin Haas, who, as USOM/Cambodia Controller, had responsibility for dealing with the Jackis complaint? Haas has been promoted to Foreign Service Reserve Office Class 2, at a salary approximating \$13,000 a year. Furthermore, he is presently employed by AID in Washington, and is attending the Johns Hopkins School for Advanced Studies under an AID program designed to prepare promising Agency personnel for higher duties.

#### THE UNWITTING COMMINGLING OF AMERICAN FOREIGN AID WITH RUSSIAN AID

In connection with their "show piece" hospital gift to Cambodia, the Russians also designed and constructed a powerplant. The plant proved to be inadequate, and in order to operate the hospital it was necessary to install a large transformer at the hospital to utilize city electric power. The transformer and cable so used were brought into Cambodia and financed through American aid, as part of a procurement authorization (PA) for the stated purpose of expanding the facilities of the municipal power company.

"Cie D'Electricite De Cambodge," the partly Government-owned municipal power company of Phnom Penh (hereinafter called Electric Company) filed an application for the purchase of \$520,000 of U.S.-financed cable, wire, and apparatus for the extension of its transmission lines. On June 30, 1959, ICA issued the procurement authorization.

Among the 15 subauthorizations issued by the RKG pursuant to the PA here involved were import licenses No. 1118, covering electrical cable, the cost of which, including freight, was \$141,421.75; and No. 1261, covering a 1,500-kilovolt-ampere transformer, the cost of which, including freight, was \$6,210. Import license No. 1118 (for the cable) was validated on August 19, 1959, and import license No. 1261 (for the transformer) was validated on October 5, 1959. The cable arrived in Cambodia in January 1960, and cleared through customs during January-February 1960; the transformer arrived and cleared through customs in May 1960. The Russian hospital was dedicated on August 29, 1960, when it was presented as a gift to Cambodia by the U.S.S.R. Although 32 transformers in all were procured by the Electric Company via the subauthorizations issued under the PA, there was only one 1,500-kilovolt-ampere transformer so obtained. Only three of the transformers so obtained were of larger capacity than 1,500 kilovolt-ampere.

During August 1961, a USOM end-use auditor in Cambodia investigated all of the transactions to verify the arrival and utilization of the commodities imported under the PA. As to the utilization of the transformer, audit report No. 3223 stated:

*Utilization.*—This transformer 1,500 kilovolt-amperes has been installed in the station at the Russian hospital.

<sup>10</sup> On May 28, 1962, Jackis was reemployed by AID/Washington with the civil service classification of GS-9, and assigned to administrative duties.



As to the cable, end-use audit report No. 3222 found the following:

*Utilization.*—The two arrivals have been used in totality, for the needs of the installation of the \* \* \* generating plant at Chak Angre and those of the Russian hospital.<sup>11</sup>

The end-use reports termed as "satisfactory" the utilization of the transformer and cable. The reports showed "Cambodia Electric Company" to be the end user, and that the commodities were used in extending its lines.

The transformer is located at the southeast corner of the hospital property, about 200 meters from the main building. It furnishes electricity only to the hospital. From testimony produced before the subcommittee, it appears that no one in USOM/Cambodia or in ICA/Washington had any knowledge, until more than a year after it was installed, that the 1,500-kilovolt-ampere transformer and a portion of the cable financed by American dollars had been used to furnish electrical service to the Russian-built hospital. Although the procurement authorization was a matter of negotiation and agreement involving the Electric Company importer, the RKG and USOM/Cambodia, and although the procurement authorization was required to be approved by ICA/Washington, no one knew that as a part of the procurement authorization the Electric Company would import those commodities into Cambodia and employ them to overcome deficiencies in the Russian hospital power supply and thereby enable the hospital to operate. No knowledge of that fact was obtained by American aid officials until the end-use report was filed in August 1961, at least 1 year after the installation, and then no one paid any attention to or expressed any concern about it.

#### *The Inadequacy of Commodity-Use Controls*

When queried as to whether it was proper use of U.S. aid funds to permit the acquisition of a transformer to make the Russian-built hospital work, the Cambodian Desk Officer of AID/Washington testified that while personally he would be more pleased if a U.S.-financed transformer were not used in connection with the hospital, the procedures in effect did not require the use to which the transformer was to be put to be specified. It was sufficient under the procedures if the commodity fell within the general purposes stated in the procurement authorization, i.e., extending the electric system in Phnom Penh. He stated that where the commodity could be used for that purpose (as could the transformer), only two controls were available: (1) an agreement with the RKG against reexportation of the commodities, and (2) the right, under a bilateral agreement with the RKG, to inspect the end-use utilization of the commodities.

The inadequacy of these controls is patent: the former did not apply, because no question of reexportation was involved, and the latter proved fruitless, as is discussed below.

<sup>11</sup> The subcommittee sought to ascertain how much of the cable was devoted to servicing the Russian-aid hospital, but the evidence presented is conflicting. After being first advised that cable was used in connection with the transformer on the hospital, but that USOM/Cambodia had been unsuccessful in obtaining full information in that regard from the Electric Company, the subcommittee was later advised that the Electric Company had reported to USOM/Cambodia that no cable was used for that purpose. This is in direct conflict with the report made by the end-use investigator who visited the hospital and made a detailed report thereon, finding that all of the cable, which cost the United States taxpayers over \$141,000, had been used "in totality" for the needs of the Russian hospital and one other project. The subcommittee was unable to obtain any explanation of these inconsistencies from the witnesses called before it, who themselves appeared genuinely confused.

### *Inefficacy of the End-Use Inspection Procedure*

Former USOM/Cambodia Controller Haas testified that end-use audit reports, under normal procedures, went to the Chief End-Use Examiner at USOM/Cambodia. If the end-use report stated that the utilization of a commodity was satisfactory, the report would not reach the Controller, but would stop with the Chief End-Use Examiner; if the end use was reported as "unsatisfactory," the report ultimately would be submitted to the Controller. Because the judgment of the end-use investigator in this case was that utilization of the U.S.-financed transformer and cable in connection with the Russian-built hospital was "satisfactory," his end-use reports thereon did not reach Controller Haas for review. Since no copies of end-use reports were (prior to January 1960) required to be sent to ICA/W, the reports here discussed were buried in the lower echelons of the Mission, with no action taken on them.

### DELIBERATE COMMINGLING OF AMERICAN AID WITH COMMUNIST AID

#### *U.S. Aid to Cambodia Mass Communications*

A program for improving the mass communications of Cambodia, including that country's radio facilities, was initiated in 1952 as part of the Consolidated Indochina Program, administered from Saigon. Cambodia's requirements in this respect were comparatively modest. Thus, a project plan of operation, drawn up by the Minister of Information in February 1952, for the technical reorganization of the broadcasting system called for the installation of a 1-kilowatt, medium-size transmitter, the distribution between July 1952 and June 1954 of 550 radio receivers, and the provision of one radio technician, to be increased to two radio technicians by June 1954. Between 1952 and 1955 a sizable quantity of radio receivers and generators was procured and distributed throughout the country and the 1-kilowatt radio transmitter was put in operation through U.S. aid.

In 1956, the U.S. Operations Mission to Cambodia entered into a Project Agreement for the improvement of mass communications. Its objectives were to establish, strengthen and make permanent the various channels and facilities of the Cambodian Ministry of Information in order:

1. To raise living standards through the dissemination of audiovisual materials that teach the ways of self-help in health, agriculture, education, and community and family development.

2. To maintain Cambodian independence and security through the dissemination of audiovisual materials that inform the people concerning their Government's program of economic development in all fields and how this program is assisted by the United States.

The Project Agreement also stated:

The special tools of this broad assistance activity are—

- (1) a printing plant and art department,
- (2) a radio transmitter, radio studio, and programming staff and radio listening sets,
- (3) a photographic laboratory,

- (4) a news-dissemination agency,
- (5) a motion picture production and film-strip production unit, and
- (6) mobile audiovisual units.

At the time the 1956 Project Agreement was signed, broadcasts emanated from two studios located in the Ministry of Information. Subsequent to execution of the 1956 Project Agreement, these studios were refurbished through American aid. The proposed agreement for fiscal year 1958 contained the following statement:

The two existing studios were improved and equipped under the fiscal year 1957 program.

It also states:

#### A. COMMODITY AND COMMODITY RELATED ACTIVITIES

1. The second and final installment of radio broadcasting equipment (exclusive of transmission equipment, to which ICA contributed herein). Specifically, this procurement is for studio equipment and special construction materials for two new studios being constructed from Cambodian national budget funds.

It also provided for the continued contract for one electronics engineer as adviser to the Ministry of Information on the operation of various electric and electronic equipment, on the construction of radio studios and installation of equipment, and on training of personnel in the operation and maintenance of equipment.

The proposed Project Agreement for fiscal year 1959 stated as a current objective "the renovation of the radio broadcasting studio." This Project Agreement, in detailing how this was to be done, stated:

- (a) The radio studio, being constructed with RKG funds, is scheduled for completion during the year. The electronics engineer (whose contract was renewed for fiscal year 1959) will provide technical assistance both for the building and for installation of equipment procured with 1958 funds. This will complete ICA assistance in improvement of facilities and equipment although the services of the electronics engineer will be continued into fiscal year 1960 in order to instruct in the use of broadcasting equipment.

#### *Chinese Communist Radio Gifts to Cambodia*

Beginning in the early summer of 1957, there was a new development in respect of radio communications in Cambodia which should have put U.S. aid personnel on notice that any programs pertaining to radio should be carefully reviewed and reconsidered. That development was the coming of the Chinese Communists onto the Cambodia radio scene.

In June 1957, public announcement was made of the personal gift by Chou En-lai, Premier of the Chinese People's Republic, to the people of Cambodia of a 20-kilowatt radio transmitter, including installation by Chinese Communist technicians and the training of Cambodian technicians in Communist China. In the fall of 1958, Communist China made available to Cambodia funds for a building to house the gift transmitter, following which a site was obtained

and a sign erected identifying the site as "The National Radio of Cambodia—a Gift of the Chinese People's Republic."

In the spring of 1959, it was further announced that the Chinese Communist were providing two additional gift transmitters for Radio Cambodia, both shortwave, one of 15-kilowatt capacity, the other 50 kilowatts. The 20-kilowatt transmitter became fully operative in August 1959, and the 15-kilowatt in November 1959. In May 1960, Chou En-lai visited Phnom Penh where he dedicated the 20-kilowatt and 15-kilowatt gift transmitters. During the dedication ceremonies the Cambodian Minister of Information stated that Chinese Communist aid had furnished more than 77½ million Cambodian riels for the building of the radio station and that construction of the gift studio-auditorium portion and installation of the 50-kilowatt transmitter would be completed by the end of 1960.

Thanks to the Chinese Communist gifts, Radio Cambodia was now many times more powerful than necessary to carry out the educational programs which prompted our Project Agreement with that country in 1956. Radio Cambodia was now in a position to blanket all of Southeast Asia.

#### *U.S. Country Team Decision*

On July 14, 1960, about 2 months after Chou En-lai's dedication of the Chinese Communist gift transmitters then operating in Cambodia, the U.S. country team (consisting of representatives of the American Embassy, the Military Assistance Advisory Group, the U.S. Information Service, and the USOM) in Cambodia met to determine if the United States should proceed with an undertaking to construct two radio studios in the studio building erected by the RKG next to the radio station to be built by Chinese Communist aid. The country team had before it the precise problem that if the United States provided the studios, the charge might be made that we were mixing our foreign aid with Chinese Communist aid. Minutes of the meeting were kept by the Embassy's political officer (who is now the Cambodia desk officer in the State Department). The minutes of that meeting (after deletion of certain classified portions) read as follows:

Mr. Mann [the Mission Director] said that he wished to call attention of the country team to this project due to (1) \* \* \* (2) the fact that the Communists were aiding this Ministry (gift radio transmitter and new studio building); and (3) the possibility that American correspondents with only a superficial knowledge of the situation might charge that the two aids were being "mixed" with a view to embarrassing the Administration. The printing plant part of the project is now complete. The recording studio equipment has been turned over to the Royal Khmer Government (although not yet delivered by Ministry of Plans to Ministry of Information), and the construction contract for the studio has been let. Thus the only further operational control available is through releases of counterpart for construction, and the only feasible method of denying funds should this be desired would be to withdraw from the project. However, the "mixed" charge would be baseless, for one could say the same sort of thing about, say, the Friendship Highway, over which trucks delivered by Soviet aid presumably travel from



time to time, or about U.S.-trained information technicians broadcasting over a Chinese Communist gift radio transmitter.

In the discussion which followed, it was noted that semi-official *Neak Chiet Niyum* (which means "The Nationalist"), on July 9 had emphasized, in commenting on the June 13 *Wall Street Journal* article, how careful the Royal Khmer Government has been to avoid "mixing" aid projects in order to respect U.S. sensibilities. Thus, for example, the new recording studio will not be located in the building being constructed with Chinese People's Republic funds. The projects in question were authorized and agreed upon in fiscal year 1957 and 1958 \* \* \*.

It was the consensus of the country team that (1) to compete one must actively compete, not withdraw; (2) that the elements which had entered the picture since the projects were agreed upon were not of a nature to warrant our withdrawal from them; (3) that it would not be politic for the United States to refuse to carry out a commitment since this would result in an opening for anti-U.S. propaganda for what would appear just cause, which could be particularly harmful at the present juncture in United States-Cambodian relations; and (4) that the projects were worthy of support in their own right and therefore the little that remains to be done should be completed.

Prior to the country team meeting at which the decision was made to proceed with construction of the studios, the equipment (final procurement of which had occurred under the 1958 Project Agreement), had reached Cambodia but had not yet been installed. Also prior to the meeting, that is in April 1960, the USOM Public Works Division had requested bids for construction involved and the contract was awarded in June 1960, but the formal contract was not signed until September 14, 1960. The construction commenced on August 5, 1960, and was completed in the fall of 1961. The total cost approximated \$70,000. The building that houses the studios is located about 8 feet from, and is connected by electric cable with, the radio building built by Chinese Communist aid. Programs originating in the studios constructed with American aid are broadcast through the Chinese Communist portion of the radio complex, over the Chinese Communist gift transmitters.

The U.S. Information Service has expressed concern about the incursion of the Chinese Communists into Cambodia radio, and indeed into the entire communications field. In a report submitted to the subcommittee, USIS has commented thereon in the following language:

The Chinese Communists have recently provided the Cambodian national radio with new medium and shortwave broadcast transmitters, and the continuing presence of Chinese radio "technical" advisers in Phnom Penh poses the threat of Communist influence in Cambodia's radio programming. Peking and Hanoi continue to beam the usual propaganda barrage to Cambodia, totaling 29 hours and 45 minutes per week.



*The Consciousness of Chinese Communist Participation*

The country team's decision to proceed with construction of the radio studios was not undertaken in ignorance of the extent and portent of the Chinese Communist radio gifts to Cambodia. Everyone along the chain of responsibility, upwards to ICA/Washington and the Department of State, was fully apprised both as a matter of public knowledge and of official reports. Gerald F. Winfield, the Chief of the Communications Resources Division of AID/Washington, admitted at the subcommittee hearings that he was aware in early 1957 of the fact that the Chinese Communists were beginning to move into the Cambodia radio area. Within USOM itself, the articulate but unheeded voice of Albion H. Ross, who was serving as Chief of the Communications Media Division of USOM/Cambodia, strenuously objected to construction of the studios on the precise grounds that to proceed with the studios would be detrimental to the interests of the United States, not only because it would mark a mixing of our aid with Chinese Communist aid, but also that to the Cambodians it would appear to be a show of our cooperation with the Chinese Communists, contrary to U.S. foreign policy objectives.

By memorandum of June 6, 1960, to the USOM/Cambodia Program Officer, Mr. Ross stated:

The installation constitutes an ICA contribution to a joint Chinese Communist and American aid project in the field of propaganda. A radio station consists of its senders and its studios. All owners of radio studios so assume as does the Federal Government. The Cambodian radio's senders, however, are primarily gifts of the Chinese Communist Government. We are accordingly dealing here with an example of joint Peking-American aid in the propaganda field.

On June 7, 1960, he directed a memorandum to the Acting USOM Director which contained the following:

Mr. Jack Moyse [the Public Works Officer] informs me that the contract for the radio studio interiors and the installation of the radio equipment provided by USOM to Cambodia will not be signed until next Friday.

I have learned that the new Chinese Communist aid studio installations will be constructed next to the studios we are equipping \* \* \*. Apparently the studios we are equipping will be subordinate studios and the Chinese Communist aid studios the central installation. I have also learned that when the 50-kilowatt Chinese Communist aid sender is completed Radio Cambodia will be using only Chinese Communist aid senders, one 15-kilowatt sender, one 20-kilowatt sender, and the 50-kilowatt sender. The other smaller senders now used will be turned over to the Bureau of Posts and Telegraphs and will not be used by Radio Cambodia which will be, except for our subordinate studios, entirely a Chinese Communist aid creation. \* \* \*

As one of your subordinates, I accordingly recommend that USOM to Cambodia should not construct the radio studio interiors at the Ministry of Information or install the USOM to Cambodia procured equipment. The new Radio

Cambodia will be a Chinese Communist aid creation with two subordinate USOM to Cambodia equipped studios.

Copies of the above memos, as well as more detailed material and observations on the political implications involved in this commingling, were sent by Ross, prior to the July 14, 1960, meeting of the country team, to Mr. C. Graham Eddy, Far East Area Officer of ICA/Washington's Communications Resources Division, whose chief, Gerald F. Winfield, saw all of this correspondence. However, Ross' solid reasoning was not sufficient to break through the wall of apparent ICA/Washington indifference or insensitivity. Neither was Ross able to stem in the Mission the pressures generated by a compound of muddled planning and failure to take a firm stand against commingling when the cloud of Chinese Communist infiltration into the communications area first appeared on the horizon in 1957.

#### *Analysis of the Country Team Decision*

The country team's decision of July 14, 1960, to proceed with construction of the American-aid radio studios despite the incursion of the Chinese Communists into the radio field, was based upon four conclusions reached at that meeting. An analysis of the four conclusions readily demonstrates their invalidity in the circumstances faced by the country team and the consequent error of its ultimate decision. The conclusions began by stating:

It was the consensus of the country team that—

First conclusion:

*to compete one must actively compete, not withdraw, \* \* \**

By constructing the radio studios we were helping to round out the Chinese Communist gift radio complex. To that extent we were not competing, but were cooperating with Red China, and the citing of an inapplicable truism cannot conceal that fact. We had not continued our early dominant role in providing the radio facilities of Cambodia. Communist China had taken that leadership from us by 1960 and the major portion of the facilities of Radio Cambodia were well-publicized Chinese Communist gifts. The people of Cambodia could hardly be blamed if they assumed from this apparent unity of action that there was nothing wrong with cooperating with the Chinese Communists. After all, the United States itself was doing it.

Second conclusion:

*that the elements which had entered the picture since the projects were agreed upon were not of a nature to warrant our withdrawal from them; \* \* \**

The thrust of the Chinese Communists into the radio project in Cambodia was the most significant factor to enter the picture after 1956, when the Project Agreement was signed. Therefore, the country team's decision to proceed with the studios is directly contrary to the view which the country team had expressed in 1959<sup>12</sup> when they asserted that no equipment, nor even technical assistance, would be provided by the United States in furthering projects financed by Soviet bloc aid. However, when put to the test less than 1 year later, this commonsense principle was either forgotten or ignored and

<sup>12</sup> This expression of position was contained in a classified communication from the U.S. Embassy, Phnom Penh to the Department of State.

approval was given for the commingling of both project aid and technical assistance.

Third conclusion:

*that it would not be politic for the United States to refuse to carry out a commitment since this would result in an opening for anti-United States propaganda for what would appear just cause, which could be particularly harmful at the present juncture in United States-Cambodian relations; \* \* \**

This conclusion assumed (incorrectly, the subcommittee believes) that there was a valid, binding commitment entered into before 1960, a subject discussed in detail below. It also ignores the adverse effect on U.S. policy objectives of the show of apparent cooperation with Chinese Communists.

Fourth conclusion:

*that the projects were worthy of support in their own right and therefore the little that remains to be done should be completed. \* \* \**

That a project may be "worthy in its own right" is not sufficient justification for the expenditure of foreign aid funds. Each year the Congress appropriates huge sums to carry out the U.S. aid program. Wide operational latitude is granted to the executive branch, but the Congress has always made it abundantly clear that the expenditure of these funds must be within the framework of U.S. interests.

Proper accounting of stewardship to the American people requires that prior to the approval of any project or program, U.S. aid officials determine its "worthiness" by measuring it against *U.S. interests* and not against itself or against the interests of some foreign country.

Any attempt to justify the expenditure of tax dollars for a project or program on the basis that "it is worthy in its own right" stems either from fiscal irresponsibility or an abysmal lack of understanding of the basic purposes of the U.S. aid program.

#### *The Alleged Commitment*

Both the Department of State and AID maintain that the fiscal year 1956 Project Agreement with Cambodia required and justified U.S. participation in the development of Radio Cambodia by the Chinese Communists. Mr. Winfield, while testifying that a commitment to install the studios had been made in 1956, stated he had to agree with the Chairman's comment that "it looks sort of funny that [the U.S.] actually began to get started on the studios on the day before or the day after" the Communists got started on their station construction in 1960. He also expressed the opinion that the Project Agreement was so elastic it could be expanded to any size. Thus this exchange is significant:

Mr. HARDY. What you are saying, in effect, is when the Mission writes a ProAg that says a radio studio is one of the tools of a communications media program, it could mean we might be committing ourselves to build something like Radio City in New York?

Mr. WINFIELD. It might have in time. There is no clear— at this point in time there was no clear definition as to exactly how big this radio studio was to be.

Under this interpretation, it is conceivable that the 1960-61 construction of the studios may not have satisfied the commitment allegedly undertaken in the 1956 Project Agreement. Should Radio Cambodia in the future expand its facilities, through additional Chinese Communist gifts or otherwise, query whether the 1956 Project Agreement would require the United States to keep pace.

The USOMs annually prepare country program books which are used as bases for the foreign aid budget presentation to the Congress. Such books list the Missions' prospective activities and budgetary proposals for the future fiscal year. Since USOM/Cambodia country program books prepared in 1958 and 1959 for the fiscal years 1960 and 1961, respectively, listed no plans or proposals for the construction of radio studios by the United States, it is reasonable to assume no such plans existed up to that time. This suggests that the decision to construct the studios resulted from some happening subsequent to preparation of the country program books, and not from any long-range plans for the studios.

The language of the Project Agreement specifically relied on as justification for construction of the studios is:

The special tools of this broad assistance activity are \* \* \*  
(2) a radio transmitter, radio studio and programing staff  
and radio listening sets \* \* \*.

In the opinion of the subcommittee, this language does not "commit" either the United States or Cambodia to supply any particular "tools." Certainly no one concerned with the husbandry of U.S. taxpayers' dollars could interpret it as requiring the United States to *duplicate* "tools" already in existence. In this connection it should be noted that at the time of the signing of the 1956 Project Agreement the Cambodian Government had already been given two radio studios and a radio transmitter capable of reaching all parts of the country. Therefore, the radio component which the ICA document characterized as one of the "tools" was already present, and if it was the intention of USOM to commit the United States to two more studios (as the agency now says it was), it was an extravagant and unnecessary use of appropriated funds.

This principle must have been recognized by the USOM, because they have never suggested that the United States was committed to furnishing Cambodia with another radio transmitter.

Following the subcommittee's hearings in March 1962, the USOM/Cambodia Controller's office issued two end-use audit reports relating to the two studios which the United States had built in 1960 as part of the Chinese Communist gift to Cambodia. The first, dated March 22, 1962, is a report of an audit of the project to improve mass communications media, and the second, dated April 27, 1962, is an audit of the project's successor, audio-visual assistance. Both audit reports rated the end use of the goods and services procured for the project as "satisfactory." The mass media report included a finding that the auditor was able to locate only about 20 percent of the nonexpendable commodities procured for the project.

These audit reports underline the USOM's determination to convince the subcommittee (and perhaps themselves, AID/Washington and the Department of State) that the United States was committed by the 1956 Project Agreement to provide the radio studios. The



audit reports leave the impression that the *original* 1956 Project Agreement contained a commitment to construct the radio studios which were built in 1960-61, whereas in truth and in fact the commitment to construct the studios did not arise until a revision of the agreement on January 5, 1960. Had the auditor pointed out this fact in his reports, it would have demolished the USOM's contention that the United States had been obligated since 1956 to construct the studios.

The subcommittee is constrained to observe that the lofty accounting standards cited by Controller Haas as grounds for removing end-use investigator Jackis are apparently not applied with any uniformity. Whether an end-use investigator's findings or views conform with those of the USOM, and support its actions, seems to be the controlling factor. This raises a serious question as to whether a subservient end-use audit organization serves any real purpose as an instrument for determining whether appropriated funds have been used for the specific and planned purpose agreed upon by the United States.

#### COMMINGLING UNRESOLVED

Elsewhere in this report reference has been made to the fact that the State Department and AID have maintained throughout this investigation that U.S. control of goods imported under U.S.-financed commodity programs is lost once the commodities enter the country's private economy. AID manual orders do not require end-use checks beyond this point, except on a selective basis, and AID officials take the position that to check the ultimate use of all imports would not only be a gargantuan task but would also constitute an interference with the free enterprise system the United States seeks to foster. They state that for these reasons nothing could or should have been done about the utilization of the U.S.-financed commodities on the Russian-built hospital.

USOM/Cambodia, it appears, ignored the utilization of American aid for the benefit of the Russians, rather than cope with it.

While as a general proposition there may be some merit to their argument, it loses all validity when used as an excuse for a failure to provide adequate safeguards to prevent the use of U.S.-financed commodities to further Soviet aims. In addition, the argument suggests that its proponents are lacking in an understanding of the basic purposes of the U.S. foreign aid program. This misunderstanding of U.S. aid purposes was demonstrated at the hearings by former USOM/Cambodia Controller Haas, the sum of whose testimony on this point was that the U.S. aid program was dedicated to furthering the economic development of Cambodia; that an objective of U.S. aid was to get goods like cement into the country to stimulate the overall economy; that such cement when sold to a contractor who helped to build the Russian-aid hospital generated local currency, and that "the Russian hospital was certainly helping the economy of the country."

The subcommittee is aware of the benefits which could flow to the people of Cambodia from a large, modern hospital, but is equally aware of the fact that in making this gift, the Russians were prompted not by altruism or humanitarian considerations, but by the ever-present purpose of *spreading communism*, with all that that implies. As stated in the Department of State's "Intelligence Report" (No.

8426, dated March 21, 1961), the foreign economic policy of the bloc countries is an adjunct of overall foreign policy, determined by political consideration; for that reason, bloc economic policy toward a less-developed area must be viewed against the broader background of bloc foreign policy "and the attempt to enhance total Communist power relative to that of the United States and its allies."

Although the United States seeks to better the economic position of the underdeveloped countries, this is not an end in itself, but a means to the end, which is the promotion and protection of the welfare and interest of the American people. Common sense should dictate the necessity of controls capable of preventing such aid from being used in a manner which furthers a political ideology diametrically opposed to our welfare and interests. However, the subcommittee could find no evidence that USOM/Cambodia ever discussed this matter with the Cambodian Government or that any adequate controls were developed.

As to project aid, where goods are procured with U.S. aid funds for specific projects, State and AID took the position that an agreement with the RKG, plus USOM end-use controls, prevents commingling of U.S. and Sino-Soviet bloc aid.

In the latter part of 1956, a discussion was had between USOM/Cambodia and the Cambodian Minister of Planning and Industrialization on the subject of "commingling" of project aid. By letter dated December 13, 1956, the USOM Director asked the Minister to confirm his understanding that it was mutually understood that in no case would American project aid and other foreign aid be used on the same project. The Minister's reply on March 14, 1957, was such that it does not appear to constitute an obligation on the part of Cambodia to prevent commingling of project aid; in fact, Deputy Assistant Secretary Peterson labeled the response as "waffled."<sup>13</sup> Nevertheless, U.S. officials repeatedly contended that the United States had an agreement with Cambodia against commingling.

#### PROSCRIPTIONS ON THE AVAILABILITY OF DOCUMENTS

Beginning on February 26, 1962, the subcommittee requested AID to make available to it copies of documents in its files which bore upon the matters which were being investigated. Some of the documents sought by the subcommittee had originated in the Department of State, and officials in AID stated that clearance by that Department would be necessary for the release of the documents. On March 19, 1962, three officials of the Department of State appeared at the hearings and produced copies of certain correspondence and cables, purporting to be those which had been requested by the subcommittee. Subcommittee questioning, however, developed the fact that the Department had deleted from the copies of some documents the names of certain individuals who took part in, or who had a responsibility for, their preparation and transmission. Since the copies had been reproduced by a process which did not make the fact of deleting readily apparent, the subcommittee feels that it is most regrettable that the

<sup>13</sup> Mr. Peterson attributed the word "waffled" to former Secretary of State Dean Acheson, who, according to an editorial in the Washington Post for April 16, 1962, had used the term "waffle papers" to describe papers which were "long on words and short on substance, a dish with plenty of butter and sirup but lacking meat." See also Mr. Peterson's testimony quoted at p. 26.

Department did not voluntarily bring to its attention the fact that the names had been deleted.

On March 20, 1962, Under Secretary Ball wrote Chairman Hardy, stating, *inter alia*:

I understand that a \* \* \* question arose Monday in hearings before your committee concerning aid to Cambodia. Departmental documents were presented with the names of drafting and clearing officers deleted. \* \* \* I should like you to know that this question was discussed with me in advance of the hearing and that I personally gave the direction to delete the names.

The reason there given by Under Secretary Ball for the deletions in the documents presented at the hearing was that:

\* \* \* if the State Department is to function effectively we must be able to count on the fullest and freest reporting, advice, and recommendations from our officers both in Washington and in the field. In my judgment this is feasible only in a climate that encourages the freest interchange of ideas. I do not believe it would be possible to preserve this climate if we were to make telegrams and documents available to your committee in such a manner as to disclose the authorship of recommendations or expressions of opinion.

Although the subcommittee, in the history of its investigations into the operations of the foreign aid programs at various times has encountered difficulties in obtaining documents from the ICA and the Department of State, and has commented thereon in several reports,<sup>14</sup> this was its very first experience of being offered copies of documents from which the names of the parties preparing, or sharing responsibility for, the documents had been deleted. There is no evidence, and the Department of State has made no claim, that such disclosures to this subcommittee in the past have produced any adverse effects which the executive branch now allegedly fears would result from present or future disclosure. Why then this sudden, inordinate fear that disclosure of the names of individuals concerned would cause a disruption of catastrophic proportion of State Department operations? This position of the executive branch is both unnecessary and unwise. If permitted to stand, it would obstruct and perhaps even prevent the subcommittee from bringing to light in the future, as it has done in the past, evidence of misfeasance, malfeasance, and nonfeasance in administration of the foreign aid program.

The subcommittee chairman pointed out to the witnesses that to properly discharge its duties the subcommittee needed to know the names of the individuals responsible for originating or taking action in the matters under investigation and these persons should not be shielded by their superiors or by top policy personnel in the Department in positions of theoretical ultimate responsibility with limited knowledge of the facts involved. The chairman further pointed out that any policy of deleting names could have the effect of protecting persons who might be guilty of impropriety, and stated that unless that policy was changed the subcommittee would consult higher authority about it.<sup>15</sup>

<sup>14</sup> See, e.g., "Executive Branch Practices in Withholding Information from Congressional Committees," H. Rept. No. 2207, 86th Cong., 2d sess.

<sup>15</sup> Subsequently, the subcommittee received true copies of the documents involved.

A dramatic example of why it is necessary for the subcommittee to have access to uncensored documents if it is to carry out effectively its statutory duties occurred during the testimony of Avery F. Peterson, Deputy Assistant Secretary of State for Far Eastern Economic Affairs.

The chairman asked Mr. Peterson whether certain documents he had produced at the hearing indicated that the Department of State failed to obtain a firm agreement with the Government of Cambodia which would have prevented the intermingling of commodities on the Soviet hospital. Mr. Peterson replied:

Sir, one document that I have read clearly indicates exactly the opposite \* \* \*.

His subsequent testimony disclosed that Mr. Peterson had in mind a Department of State communication dated December 21, 1959, which was a judgment construing an exchange of correspondence between the USOM and the Cambodian Government as a "written agreement" between the United States and Cambodia on this subject. Mr. Peterson was then asked to read the documents on which his testimony was based, and in doing so he read a translation of the French text of the Cambodian Government letter, as follows:

Reference: Your letter No. 57-986 of December 13, 1956.

To: The Chief of Mission.

I have the honor of acknowledging receipt of your letter cited in the reference in which you asked me to confirm with you our conversation of December 8, 1956, in regard to the inconveniences which you believe are present in the simultaneous giving of American aid and other foreign assistance in the same regions, and more generally to the inherent faults in a joint contribution of several foreign aid donors for the financing of the same project.

I easily understand your preoccupations whose legitimacy cannot be disputed; I am not equally familiar with the political and administrative problems which could result from such a situation.

At the moment, thanks to the measures taken by the management of Plan, no project is financed by aid resources of different countries.

At the same time, this rule of principle should not stop the Royal Government from accepting the alternative offer of another aid donor in order to pursue the normal realization of the project in the case where the first donor inopportunistly defaulted in the course of suggestions.

The necessity to terminate the program becomes dependent in this case on the relief of one aid donor or by another.

In the same way I believe that the plurality of financing presents no difficulties for the execution of operations of the same nature but clearly is distinct and detachable.

I am sure that you will take cognizance of the feeling of the Royal Government on these various points. I beg you to accept, Honorable Chief of Mission, assurance of the highest consideration.



(Translations of the above document subsequently obtained by the subcommittee from the Department of State and the Library of Congress appear in the appendix, pp. 29 and 30.)

His testimony at this point left the subcommittee with the impression that he was surprised to learn that actually these communications did not add up to a written agreement prohibiting the comingling of aid. Moreover, his testimony left the subcommittee with the impression that this was the first time that he had actually read this exchange of correspondence. Mr. Peterson said:

Well, I consider that reply in the local jargon to be a waffled reply now that I have read it.

Mr. HARDY. You would have to define that for me.

Mr. PETERSON. Well, it is described as being a definition by Mr. Dean Acheson which goes north, south, east, and west, different thicknesses, and it is something but—

Mr. HARDY. It means nothing.

Mr. PETERSON. I have only read it now, sir. I would say he [the Cambodian Minister] recognizes the basic principle, but as I interpret this letter from first reading, he can foresee some exceptions if they get one aid project by some country and it is defaulted on.

A matter of major concern to the subcommittee was the State Department document dated December 21, 1959, which refers to a "written agreement" by Cambodia that it would not permit the comingling of U.S.-bloc project aid. This was the document which the Secretary, or any other official of the Department of State, would have to rely upon concerning this subject. It was the document which Mr. Peterson himself relied upon in connection with his testimony quoted above. Mr. Peterson's testimony was such as to make it appear, as indicated above, that he had had nothing to do with the communication and that he had never seen the 1956-57 exchange of correspondence with the Cambodian Government, referred to therein, prior to his reading it in connection with the hearing before the subcommittee.

However, when subsequent thereto the subcommittee obtained the names and other information which had been deliberately deleted from the copies of the December 21, 1959, communication which were submitted to the subcommittee, it found that Mr. Peterson had actually cleared this particular document at the time it was drafted. And if in truth and in fact he had not at that time read the 1956-57 exchange of documents with the Cambodian Government prior to his clearance of the communication, then, in the opinion of the subcommittee, his action constituted serious dereliction of duty and contributed to the acceptance by the Secretary of State of an invalid judgment regarding the import of the exchange of letters, for the Secretary had the right to assume that as a subordinate responsible official Mr. Peterson had fully informed himself as to all pertinent facts in the matter on which he, in effect, was making a judgment for the guidance of the Secretary.

Withholding of the above information by the Department of State constitutes a serious, unwarranted interference with the work of this subcommittee and its responsibility to the Congress and the American people. No legitimate excuse will support this behavior, which borders on the contemptuous.

*AID Cooperation*

Toward the conclusion of the hearings, on March 19, 1962, AID submitted to the subcommittee certain personnel folders relating to Messrs. Jackis and Haas. This submission was in compliance with AID Administrator Hamilton's statement that he would make such information available to the subcommittee. A letter of March 19, 1962, from the Administrator's office advising the subcommittee that the documents would be furnished, stated:

It is the general policy of the executive branch that documents of this sort not be furnished. That policy has been stated consistently throughout various administrations.

In the present case, however, the personnel action in question was taken on the basis of the extraordinary power enacted by the Congress under 621(c) of the Foreign Assistance Act of 1961. In the light of this fact, and the extraordinary circumstances of the present case, and without prejudice to the policy above-described, I have decided that these records will be furnished to your committee. It must be understood, of course, that these documents are being supplied on the condition that they are for the sole use of you, your committee, and your committee staff, and that their confidential character will be strictly preserved.

The subcommittee recognizes the desire and the need for the executive branch to be cautious about divulging the contents of its personnel records concerning its officers. However, that caution cannot be tantamount to total preclusion, for congressional committees charged with investigating the efficiency and economy of the operations of agencies of the executive branch cannot perform their functions without discreet, but ready, access to documents pertaining to matters within their jurisdiction. The importance of ready availability of documents is aptly illustrated in this case by just one example: Without access to the documents the subcommittee probably would have been precluded from ascertaining that Haas took steps to remove Jackis from his position as end-use investigator in USOM/Cambodia, in refutation of Haas' sworn testimony to the contrary.

## APPENDIX

### DEPARTMENT OF STATE DIVISION OF LANGUAGE SERVICES

[TRANSLATION]

LS No. 34237-a  
T-52/R-XV  
French

Encl. No-Annex II  
Desp. No. 66  
From Phnom Penh

THE MINISTER OF PLANNING AND INDUSTRIALIZATION

PHNOM PENH, *March 14, 1957.*  
No. 450

Ref: Your letter 57-986 of December 13, 1956

CHIEF OF THE UNITED STATES OPERATIONS MISSION TO CAMBODIA,  
*Phnom Penh.*

DEAR SIR: I have the honor to acknowledge the receipt of your letter referred to above, in which you request me to confirm our conversation of December 8, 1956, relating to the difficulties, in your opinion, of commingling American and foreign aid in the same fields and, in general, the disadvantages inherent in the contribution of aid from more than one foreign source to finance the same equipment project.

I can well understand your concern, which is unquestionably well founded, and I am not unaware of the political and administrative difficulties that can result from such a situation.

Up to now, as a result of the steps taken by the Planning Department, no project has been financed out of funds from more than one foreign assistance source.

However, this general rule cannot prevent the Royal Government from accepting foreign aid from another source in order to continue carrying out a certain project if the first source suddenly fails to materialize in the course of the work.

In that event, the need to finish the program agreed on requires that one aid be replaced with another.

Moreover, I do not believe that the commingling of aid causes any difficulties in carrying out similar or related operations that are completely distinct and can be kept separate.

I am certain that you will agree with the Royal Government on these points.

Please accept, Sir, the assurance of my high consideration.

PHLEK PHOEUN.

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THE LIBRARY OF CONGRESS  
LEGISLATIVE REFERENCE SERVICE

Washington 25, D.C.

Translation (French)

PHNOM PENH, March 14, 1957.  
No. 450

Reference: Your letter No. 57-986 of December 13, 1956

*To the Chief of Mission:*

I have the honor to acknowledge receipt of your letter cited in reference, by which you kindly request me to confirm our conversation of December 8, 1956, relative to the disadvantages of simultaneous American aid [assistance and/or money] and foreign aid in the same sphere, and, more generally, to inherent defects to a joint contribution from several foreign sources on the same equipment project.

I can easily understand your concern, the lawfulness of which is not contestable; at the same time I am not unmindful of difficulties of a political and administrative nature which may result from such a state of affairs.

Up to the present time, thanks to steps taken by the Director of the Plan, no project is financed by resources of different foreign aid.

However, this principle would not prevent the Royal Government from accepting the assistance of another foreign aid in order to work toward the normal realization of a specific project in the case where the first [country appealed to] would unexpectedly default in the course of carrying it out.

In such a case, the need to finish the program agreed upon requires changing one aid for another.

So, I think the plurality of financing does not present disadvantages to carrying out operations of the same or related types but completely different and unrelated.

I am convinced that you will share the sentiments of the Royal Government on these different points.

Please accept the assurance of my high consideration.

(S) PHLEK PHOEUN.

To: Chief, U.S. Foreign Operations Mission in Cambodia, Phnom Penh.

(Translated by R. Llaverias March 28, 1962.)

[Translator's note: This letter was written by a non-French national, and is not "standard" French. Hence, only a very literal translation was attempted.]